



**KENTUCKY COMMERCE CABINET  
OFFICE OF ENERGY POLICY**

**Ernie Fletcher**  
Governor

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**George Ward**  
Secretary

August 9, 2006

Special Interim Subcommittee on Energy  
Legislative Research Commission  
Frankfort, KY 40601

Dear Members of the Subcommittee on Energy:

I wanted to take a moment to update the members of the Special Subcommittee on Energy on the Kentucky Office of Energy Policy's progress on the implementation of HB 299 – the Kentucky Energy Security National Leadership Act.

The Office of Energy Policy (OEP) is currently implementing four specific initiatives to meet what we interpret to be included within – though not the complete – legislative intent of the Act.

First, OEP has executed a Memorandum of Agreement with the Center for Business and Economic Research and the Martin School of Public Policy at the University of Kentucky to develop a comprehensive study examining the emergence of energy-related industrial development and to provide recommendations for the necessary incentives required to promote its investment in Kentucky. OEP has put forth an aggressive schedule with UK to ensure that the report and its recommendations are prepared in enough time for possible legislation to be considered during the 2007 session.

Second, OEP has issued a Request for Proposals (RFP) to develop a "site bank" for potential commercial scale energy projects. We believe that it is important to have sites - with the appropriate characteristics for energy related industrial development - already identified for potential developers. The RFP calls for the identification of 4 to 6 sites geographically dispersed throughout the Commonwealth. It is OEP's expectation that it is likely that the identified sites will be located within or near the coal producing regions of the state given the economics associated with coal transport. We will be evaluating the proposals within the next several weeks and hope to have an agreement executed to employ a professional consulting service for site identification soon thereafter.

August 9, 2006

Third, OEP is in the process of pulling together an "Energy Summit" scheduled for October 20<sup>th</sup> in Louisville, Kentucky. The title of the summit is *Energy Unbridled: The Industrialization of Kentucky's Energy Resources – Leading the Way to Energy Independence*. Senator Bunning, who recently offered federal legislation to promote the development of coal-to-liquids facilities – has already agreed to speak at the meeting. We have preliminary conversations with a number of significant players within the energy sector about their attendance and have received a positive response from most. We will provide further details in terms of an agenda and who will be participating as things develop.

Fourth, on August 1<sup>st</sup> OEP released a solicitation for proposals for research and development "matching funds." These funds are targeted to help our universities aggressively pursue federal energy research resources, primarily through the Department of Energy. Last year, OEP awarded over \$460,000 which leveraged an additional \$2.2 million in research funding at our universities – a \$5 return in federal dollars for every \$1 put forth by the Commonwealth. Through this process we are building new energy research capacity and positioning Kentucky's universities to take full advantage of the enormous amounts of federal funding available for energy R&D.

In short, the implementation of HB 299 is moving ahead. I believe that this is only the beginning as there are a number of provisions that require our attention. However, given the limited resources of the agency – a staff of 12 – we determined that these priority items needed immediate action and therefore our focus has been on them up until now.

The Office of Energy Policy appreciates your support for our activities and we look forward to continuing the work of Governor Fletcher's comprehensive energy strategy, HB 299 and other energy issues as we work to promote Kentucky's full potential in an exciting energy future.

Sincerely,

A handwritten signature in dark ink, appearing to read "AVM-".

Andrew V. McNeill  
Acting Executive Director

CC: Secretary George Ward  
Mr. Stan Cave